

MARICOPA ASSOCIATION OF GOVERNMENTS
REGIONAL AFFORDABLE HOUSING ASSESSMENT:
EXECUTIVE SUMMARY

REPORT PURPOSE AND FRAMEWORK

The MAG Regional Affordable Housing Assessment is a component of the Growing Smarter Implementation (GSI) Project. Selected as a top priority by a MAG Planners Working Group, new state law (ARS 9-461.05) calls for the preparation of housing and conservation elements by communities over 50,000 in population. This report offers members a regional perspective on the status of affordable housing and neighborhood revitalization in Maricopa County and advances a regional agenda. It focuses on housing and neighborhood revitalization for low-income households, a large target audience of the new planning statute but not the exclusive one. A companion report entitled, MAG Housing Working Paper, addresses land use planning mechanisms that can be used by local governments to promote a balanced supply of all housing types in terms of numbers and location throughout the region.

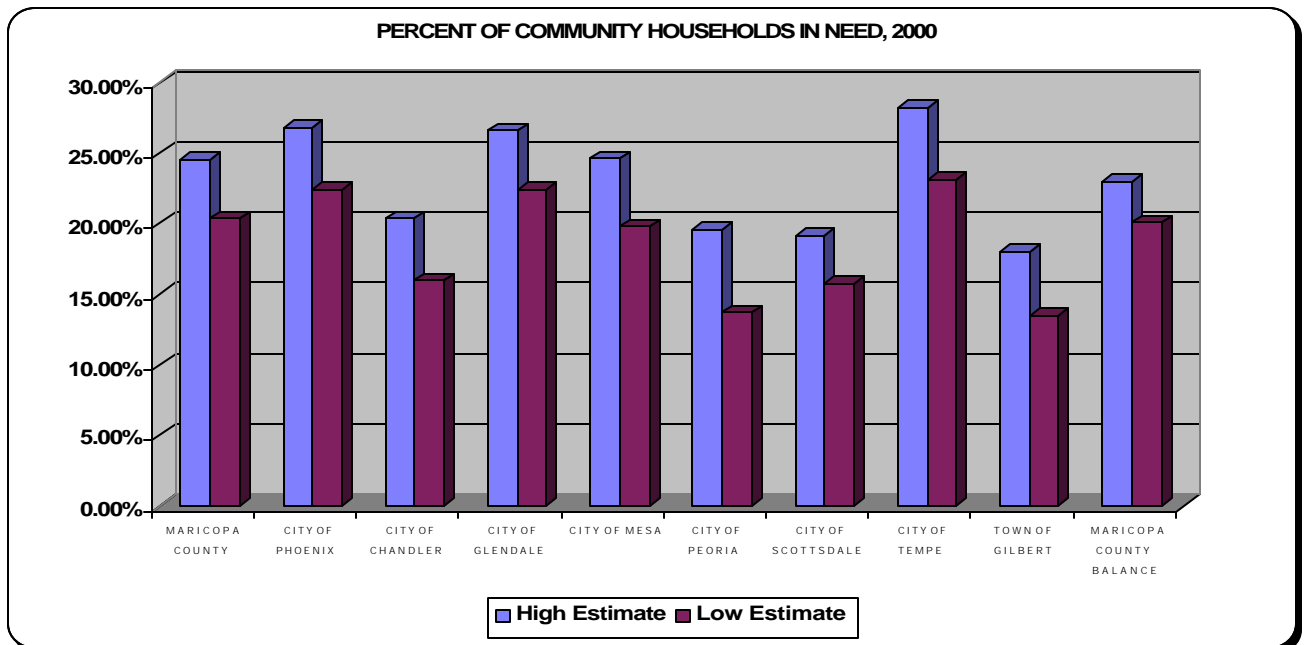
The need for affordable housing in the Valley is a byproduct of poverty or derived from a break in the social services 'safety net' that is often, but not always, reflected in the market through a mismatch of housing supply and demand. The affordable housing story is about the ever-present need to address the root causes of poverty, revitalize and conserve our neighborhoods, and help those with nowhere else to turn. It's a story about how helping the less fortunate and strengthening our neighborhoods offers a solid return on investment to the community at large and ultimately comes back to us all. The affordable housing industry touches many kinds of people and examples include: battered women forced out of their homes by domestic violence; female-headed households living in substandard dwellings on the wages of unskilled service workers; 'wanna be' first-time homebuyers with limited credit and down-payment resources angling for a break; and, homeless persons sleeping on the streets and decompensating as we speak. Poor people live in bad neighborhoods. The schools are challenged, the amenities are lacking, the crime is rampant and the code violations abundant. It's no secret; it's been this way for years.

The core issue in providing housing for low-income people is about money and strategically investing available resources to elicit desired results. It's about flexible, new funding for MAG members to supplement scarce resources, as well as enhancing funding reliability and equity for members to chart their own course, launch local initiatives and add more local funds to the mix. It's about preserving the ability of local governments to flexibly implement land use and development regulations/fees in a way that can stimulate priority affordable housing production and arrest neighborhood decay, as well as advance community economic development and redevelopment objectives.

OVERVIEW OF KEY REPORT RESEARCH FINDINGS

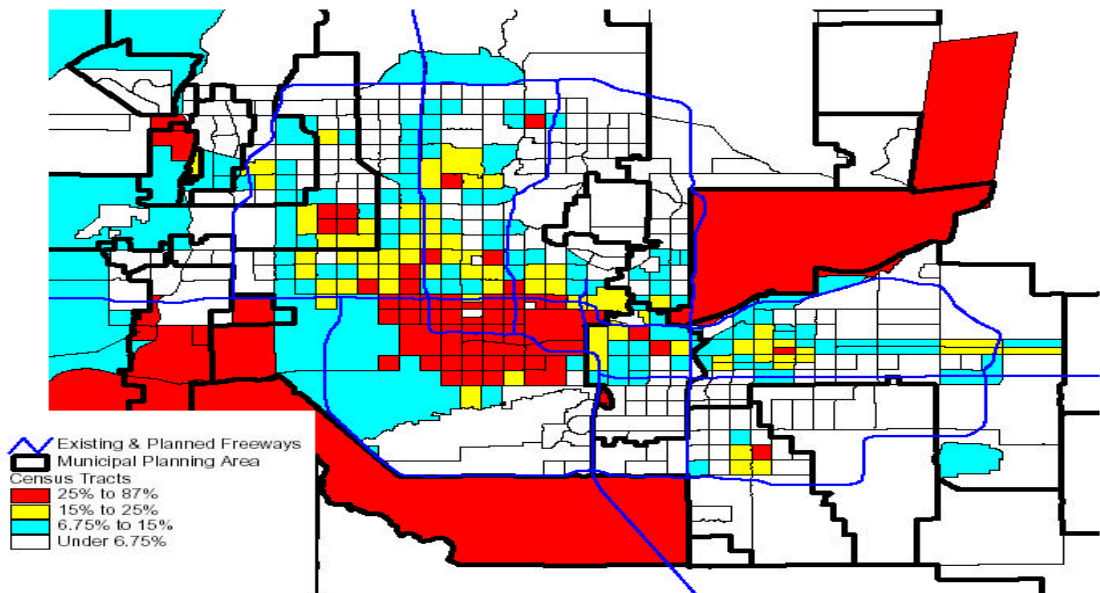
- It is estimated that between 235,000 - 284,000 households are currently experiencing housing problems and thus evidencing need, representing from 20 to 24 percent of all households in the Valley. Need by community is presented in the following exhibit.

MAG Affordable Housing Study. Prepared by Crystal & Co, Dec, 2001.



- Dwelling units 'at risk' of being substandard in Maricopa County are highlighted below:
 - ❑ Up to 42,824 single-family dwellings built between 1955 to 1960 (on average) with a full cash value per square foot ranging from \$13 to \$38.
 - ❑ Up to 16,195 condominium/townhome units with an average construction year of 1974 and full cash value per square foot ranging from \$12 to \$20.
 - ❑ Up to 1,858 multiple-family properties with an average construction year of 1960 and full cash value per square foot at less than \$17.
 - ❑ Phoenix and Glendale continually indicated the highest incidence of dwellings 'at risk' of being substandard within their corporate limits.
- On average, approximately 29% of the county single-family and townhome/condominium housing stock is affordable to persons earning up to 80% of the county median family income. This inventory is heavily concentrated (85%) in Phoenix, Glendale, Mesa and unincorporated Maricopa County.
- Supported by statistical correlations generated by the ASU Center for Business Research, neighborhood distress is spatially depicted on the following Map.

Poverty Rate By Tract, 1995



A major swathe of distress is emerging from southern Glendale running southeast to south and central Phoenix, while pockets of distress were evident in selected central Phoenix neighborhoods and in many other Valley communities, often in close proximity to older downtown areas. Distress was also evident in Phoenix along the I-17 corridor and in limited pockets in North Phoenix.

- The number of Hispanics in Maricopa County grew by 121% from 1990 to 2000. The reasons for the growth of the Hispanic population were: (1) higher fertility rates resulting in accelerated natural increase; (2) an influx of new immigrants from Mexico and other parts of Latin America; and, (3) the in-migration of Latinos from other states lured to Maricopa County. Since Hispanics are twice as likely to be under age 14 than Anglos, there are broad implications for faster growth of the minority population in the future as children move into adulthood and fertility themselves. These factors are reinforced by the much greater percentage of Anglos to constitute the elderly population cohorts.
- According to the Arizona Republic, 'Planning for the changing demographics', "given the Latinos traditional desire to settle near family and friends, housing will need to focus on more infill residential development and affordable housing that accommodate larger families".
- The Immigration and Naturalization Service (INS) estimated that 5 million people were residing in the country illegally in October 1996. An estimated 115,000 were living in Arizona, 2.3 percent of the national total. This figure is growing. Of the total deportable aliens in the U.S., the Tucson Border Patrol sector's share rose from 6 percent in 1991 and 1992 to 20 percent in 1996 and 1997; the numeric gain was from 60,000 to 300,000.

- Since 1990, the affordability of resale dwellings has remained about the same...households earning the median income can generally afford the median price of dwellings sold in the Valley. Steep increases in home values have generally been counteracted by extensive reductions in mortgage interest rates.
- From 1991 - 2000, rent levels (for projects greater than 100 units in size) have grown by 57% compared with a 26% hike in median income, thereby eroding affordability for renters by about 40%. The removal of major tax advantages to income property under the 1986 U.S. tax act coupled with reductions in borrowing rates have not caused any affordable rental housing production in the Valley that has not been subsidized. Thus, rental rates continue to rise and vacancy rates remain tight. This continues to wreak havoc on lower income consumers, especially the most vulnerable.
- High crime rates, unemployment, low wage rates and household income, incidence of non-conforming land-uses, substandard dwellings/structures and code violations, poor student test scores and lacking public amenities and social support services, etc. are characteristic of conditions in distressed neighborhood areas throughout the Valley.

MAG REGIONAL AGENDA TO AFFORDABLE HOUSING NEED AND NEIGHBORHOOD DISTRESS

Issue 1: Increase The Valley Funding Volume

- ✓ **Explore Authorization of A Valley-wide HousingTrust Fund** – Consider financing the Housing Trust Fund through sources that include but are not limited to: (1) a modest surcharge on all residential building permits issued that is indexed to the value of the permit issued; and/or, (2) a modest fee on all residential deeds recorded during a given year. Allocate such funds through a ‘fair-share’ formula replete with minimum distress thresholds and emphasis for jurisdictions with high distress.
- ✓ **Alterations to Commercial Governmental Lease Excise Tax** - Raise incentive opportunities available for residential rental properties under ARS 42-6209.
- ✓ **Increase The Private Activity Bond Allocation For Multi-Family Development pursuant to HB 2390.**
- ✓ **Secure Funding For The Arizona Neighborhood Preservation and Improvement Commission**
- ✓ **Community Reinvestment Financing** – In cooperation with the Governor's Office, pursue the enactment of community reinvestment financing aka tax increment financing.
- ✓ **Affirm Non-Profit Tax Exemptions Under State Law.**
- ✓ **Secure Adequate State Funding For The Mental Health and Correctional System .**

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- ✓ **IDA Surplus Revenues** - In concert with IDAs, pursue written agreements that establish public purpose parameters for the investment of IDA surplus revenues. Pursue state statutes as/if needed.
- ✓ **Secure State Resources For Disabled Homeless**
- ✓ **Secure State Resources For Prison Inmate Release**
- ✓ **Emphasize the Commitment of Resources For Expiring HUD Multifamily Inventory**

Issue 2: Foster Member Funding Equity And Reliability

- ✓ **Ensure The Equitable Geographic Allocation of Existing State Housing Resources Through:**
 - ☐ Ensure the equitable allocation of State Housing Trust Fund (HTF) resources for the Valley at a level not less than 60% (population based) of the annual state revenues for all eligible uses authorized under state statute. If deemed appropriate, pursue a 'pass through' allocation of State HTF resources for the Valley.
 - ☐ Foster continuing annual Valley allocations of Low Income Housing Tax Credits (LIHTC) at levels not less than 60% (population based) of the annual state total and subject to all local land-use and affordable housing priorities and policies. If deemed appropriate, consider and pursue opportunities with the State concerning regional LIHTC sub-allocations and an increased local role in project processing and project ratings.
 - ☐ Continue the investment of State HOME Resources within the MAG region at levels proportionate to statewide need.
 - ☐ Work with the State on a continuing basis to ensure the acquisition and usage of all state resources are not overly complicated or prescriptive.
- ✓ **Sustain Continued Local Administration of All Federal and State Rental Subsidies**
- ✓ **Continue To Foster A Decentralized Affordable Housing Delivery System** - Support sustained decentralization in the allocation and administration of existing and future federal and state funded affordable housing/community development program resources and tax credits in the region to address locally identified needs and priorities. Work with the Federal and State governments to foster the prudent, 'pass through' of new, federally funded affordable housing or community development resources.
- ✓ **Phoenix/Glendale Neighborhood Revitalization** – Encourage cooperative endeavors to address neighborhood distress evident in the southwest Valley.

Issue 3: Foster Affordable Housing Barrier Removal

- ✓ Create A Regional Affordable Housing Information and Referral Service.
- ✓ Undertake A Jobs/Housing Balance Fiscal Impact Assessment
- ✓ Continue to Implement Land-Use Ordinances, Fee Exemptions, Expedited Development Processing and Aggressive Code Enforcement That Induces Priority Affordable Housing Production and Neighborhood Revitalization Consistent With The Objectives of Local Governing Bodies
- ✓ Aggressively Implement The Newly Enacted Arizona Slumlord Statute and Local Neighborhood Improvement Ordinances
- ✓ Commit Surplus Local Public Assets For Priority Affordable Housing Production

CONSEQUENCES OF INACTION

Inaction in addressing neighborhood revitalization and affordable housing need produces the following impacts

- *The acceleration of urban decay that becomes increasingly costly and difficult to remedy, and adversely impacts neighborhood by virtue of accelerating crime rates, unemployment, low wage rates and household income, incidence of non-conforming land-uses, substandard dwellings/structures and code violations, poor student test scores and lacking public amenities and social support services, etc.*
- *A competitive disadvantage in business recruitment, retention and creation at the regional and local level given an inadequate supply of affordable dwellings and neighborhood decline.*
- *Major hikes in social service and healthcare costs, as well as the incidence of homelessness in the Valley.*
- *Increasing transportation and environmental costs to mitigate undue imbalances in the jobs to housing ratio throughout the Valley.*
- *Increasing challenges to achieve successful downtown redevelopment given the magnitude of neighborhood decline.*